2/26/88 R4105-4

Consumer Confidence Survey

- *Business*
- *Employment*
- *Income*
- *Inflation*
- *Interest Rates*
- *Stock Prices*

January 1988

CONFIDENCE ON THE REBOUND

The measure of consumer confidence, which dropped sharply following the worldwide financial crash, regained almost half its loss in December. The current reading of The Board's Index (1985 = 100) is 105.8, up a full five points from November. In October, the figure was 115.1. As compared with a month ago consumers are now moderately more positive in their assessment of the ongoing situation and appreciably more optimistic in their expectations for the immediate period ahead.

On the issue of the prevailing business climate, public opinion has not changed very much. Slightly fewer persons than last month say conditions are "bad," but a smaller number say they are "good." However, optimists still outnumber pessimists here by a significant margin. On the issue of employment, opinion is split more or less equally. Roughly a quarter of all respondents report that jobs are "plentiful," roughly another quarter complain that they are "hard to get." Overall, people are now about as positive in their views of prevailing circumstances as in the months preceding the crash.

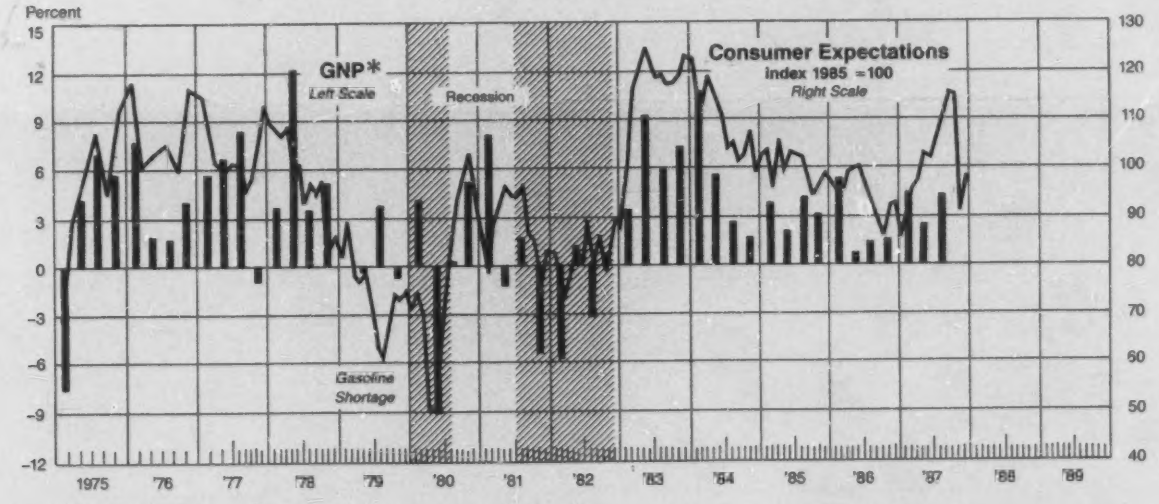
However, in looking ahead to the next six months, consumers are still less optimistic than they were before the great fall. In December, some 9.4% of those interviewed feared that business conditions would worsen. While this is higher than recorded prior to mid-October, it is an improvement over the 12.4% recorded in November. Similarly, consumers are not quite as concerned about jobs as in November, but neither are they as secure as prior to the crash.

Moderately fewer people in December were concerned that their income would decrease—8.5%, down from 9.1% in November. But in October, such apprehension was voiced by only about 7% of respondents.

Though it may still be too soon to be certain, recent survey results suggest that the crash is likely to have only a moderate effect on consumer behavior. Had the loss of confidence in November continued into December, as many feared it would, the cutback in consumer spending might well have precipitated recession. The impressive rebound in the consumer's spirits after the initial shock is largely to be explained by the vigor of the economy—to high employment and low inflation. Jobs and prices significantly affect the consumer's sense of security. Both were working for us in the great market crash of 1987.

Fabian Linden

Consumer Expectations and Changes in GNP



* Quarterly changes in real GNP at annual rates.

U.S. Department of Commerce; NFO Research Inc.; The Conference Board.

Confidence and Buying Plans

Based on surveys conducted by NFO Research, Inc.
Percentage of all households = 100%

Business Employment Income

All series seasonally adjusted	1986 Dec.	1987 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.(r)	Dec(p)
Composite Series: Index Numbers, 1985 = 100													
Consumer Confidence Index	93.2	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	105.8
Present Situation	94.7	85.0	91.9	94.2	92.7	99.1	107.9	106.2	115.6	120.5	124.4	115.6	117.7
Expectations	92.2	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	97.9
Buying Plans Index	103.6	98.9	93.1	98.7	89.7	113.4	94.5	96.0	96.5	108.7	104.9	102.5	90.9
Appraisal of Present Situation: Percent													
Business Conditions													
Good	24.7	20.9	24.8	24.0	23.3	25.2	28.9	26.1	28.5	29.9	30.9	26.4	24.4
Bad	25.1	28.1	26.1	26.4	24.7	24.6	22.7	22.9	20.3	19.4	19.4	20.3	18.7
Normal	50.2	51.0	49.1	49.6	52.0	50.2	48.4	51.0	51.2	50.7	49.7	53.3	56.9
Employment													
Jobs plentiful	20.9	19.6	20.8	21.9	20.5	21.9	25.1	24.6	27.0	27.8	28.5	26.8	26.4
Jobs not so plentiful	46.8	46.2	45.1	45.6	46.7	47.9	44.3	46.1	45.3	46.1	47.4	47.0	49.3
Jobs hard to get	32.3	34.2	34.1	32.5	32.8	30.2	30.6	29.3	27.7	26.1	24.1	26.2	24.3
Expectations for Six Months Hence: Percent													
Business Conditions													
Better	18.3	16.0	19.0	18.2	18.8	20.8	18.5	19.6	22.0	24.2	23.7	18.3	19.2
Worse	10.7	11.1	10.2	9.1	7.3	7.8	9.3	7.4	7.2	7.2	8.1	12.4	9.4
Same	71.0	72.9	70.8	72.7	73.9	71.4	72.2	73.0	70.8	68.6	68.2	69.3	71.4
Employment													
More jobs	14.8	12.6	14.7	14.9	16.5	17.7	16.1	17.5	20.1	20.9	19.3	15.5	16.5
Fewer jobs	18.4	19.0	19.7	15.6	15.6	14.1	16.0	14.6	15.3	14.2	13.8	19.1	17.0
Same	66.8	68.4	65.6	69.5	67.9	68.2	67.9	67.9	64.6	64.9	66.9	65.4	66.5
Income													
Increase	25.6	21.1	24.6	24.5	23.3	24.1	23.7	26.1	26.5	29.5	28.7	28.0	27.4
Decrease	8.6	8.4	8.3	8.1	8.3	6.6	7.4	6.6	7.5	5.8	7.3	9.1	8.5
Same	65.8	70.5	67.1	67.4	68.4	69.3	68.9	67.3	66.0	64.7	64.0	62.9	64.1
Plans to Buy Within Six Months: Percent													
Automobile													
Yes	7.9	7.4	7.8	7.5	7.2	9.0	7.0	7.7	7.1	8.6	8.5	8.2	7.6
New	4.6	3.4	4.0	4.0	4.3	4.2	3.3	4.8	3.6	3.8	4.2	4.3	4.4
Used	2.5	2.6	2.9	2.8	2.2	3.6	3.1	2.1	2.9	3.5	3.0	2.8	2.5
Uncertain	0.7	1.4	0.9	0.7	0.7	1.2	0.6	0.8	0.6	1.5	1.3	1.2	0.7
Home													
Yes	4.3	4.4	3.1	4.1	3.2	4.1	3.3	3.6	4.1	3.9	3.9	3.7	3.2
New	1.1	1.5	1.1	1.4	0.7	1.3	0.9	0.8	1.4	1.2	1.1	1.0	0.7
Lived in	2.1	1.9	1.3	2.0	1.7	1.8	1.5	2.1	1.8	1.8	1.7	2.0	1.4
Uncertain	1.1	1.0	0.7	0.7	0.8	1.0	0.9	0.7	0.9	0.9	1.1	0.7	1.1
Major appliances													
Total plans	30.8	28.5	29.1	29.1	27.4	36.3	29.4	29.8	30.5	32.5	32.0	31.1	25.1
Refrigerator	4.4	5.3	5.2	4.6	4.0	5.6	4.7	4.6	4.5	5.1	4.7	4.3	3.7
Washing machine	4.4	4.2	3.8	4.3	3.6	4.8	3.9	4.4	4.1	5.4	4.8	4.4	3.0
TV Set	7.8	6.8	7.7	7.1	6.5	9.2	7.4	7.8	7.2	7.5	7.5	7.9	6.9
Vacuum Cleaner	5.6	4.3	4.8	5.5	5.2	6.4	4.6	4.8	5.0	5.6	5.3	5.6	5.0
Range	3.2	3.0	2.8	2.5	3.3	3.9	2.9	3.2	3.3	2.9	3.6	3.2	2.4
Clothes dryer	3.7	3.3	3.3	3.7	3.0	4.1	3.8	3.2	3.6	3.7	4.0	3.7	2.4
Air conditioner	1.7	1.6	1.5	1.4	1.8	2.3	2.1	1.8	2.8	2.3	2.1	2.0	1.7
Carpet	7.7	7.7	7.0	8.2	6.0	10.0	7.3	7.0	6.0	8.3	6.7	6.8	6.9
Vacation Intended Within Six Months: Percent													
Vacation Intended	49.4		50.9		49.4		49.7		52.0		54.3		46.4
Destination													
U.S.	44.1		46.8		44.5		45.4		47.0		48.3		42.7
Foreign country	6.6		5.9		6.8		6.6		6.8		7.8		8.3
Means of travel													
Automobile	30.3		33.2		29.8		30.7		30.6		32.7		27.0
Airplane	18.9		18.4		19.5		20.9		21.3		20.7		18.4
Other	3.7		4.3		4.6		3.7		4.2		4.4		3.8

(p)—preliminary (r)—revised

Inflation Interest Rates Stock Prices

Not seasonally adjusted	1986 Dec.	1987 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.(r)	Dec(p)
Expectations for Twelve Months Hence: Percent													
Inflation Rate													
Average									4.4	4.3	4.4	4.5	4.5
Interest Rates													
Higher							71.6	64.8	63.9	73.9	75.0	55.2	57.9
Same							18.3	25.4	24.0	18.4	17.2	22.8	24.4
Lower							10.1	9.8	12.1	7.7	7.8	22.0	17.7
Stock Prices													
Increase							43.6	46.3	45.5	41.4	39.9	34.1	32.8
Same							34.9	36.9	33.0	31.4	31.0	27.0	28.6
Decrease							21.5	16.8	21.5	27.2	29.1	38.9	38.6

CONSUMER CONFIDENCE BY REGION

Seasonally unadjusted Index numbers: 1985 = 100	1986 Dec.	1987 Jan.	Feb.	Mar	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.(r)	Dec.(p)	Avg. 1986	Avg. 1987	Oct., Nov., Dec. Percent Change*
NEW ENGLAND																
Consumer Confidence Index	142.7	155.3	154.9	152.8	137.3	150.5	155.8	156.6	152.7	158.5	160.0	141.7	147.5	145.5	149.7	2.9
Present Situation	195.8	192.6	199.9	191.2	180.4	192.6	201.5	206.9	207.1	209.4	208.7	200.7	203.3	193.9	204.2	5.3
Expectations	107.2	130.5	125.0	127.2	108.5	122.5	125.4	123.0	116.5	124.6	127.6	102.3	110.3	113.2	113.4	0.2
MIDDLE ATLANTIC																
Consumer Confidence Index	100.0	86.9	92.9	95.9	102.3	98.8	104.6	113.5	107.0	117.9	124.0	101.5	107.0	95.4	110.8	16.2
Present Situation	107.7	94.2	92.3	95.9	104.5	109.4	123.4	130.5	121.5	139.9	152.2	127.5	136.3	102.6	138.6	35.1
Expectations	94.9	82.0	93.4	95.9	100.8	91.7	92.1	102.1	97.3	103.3	105.2	84.3	87.5	90.5	92.3	2.0
EAST NORTH CENTRAL																
Consumer Confidence Index	72.5	68.6	77.7	85.9	79.4	86.4	83.3	87.3	91.6	102.9	103.8	88.0	88.5	73.1	93.4	27.8
Present Situation	76.6	61.0	72.4	77.7	73.1	79.8	98.8	86.5	102.3	111.7	116.0	99.4	98.2	73.1	104.5	43.0
Expectations	69.6	73.6	81.2	91.4	83.6	90.8	73.0	87.9	84.5	97.0	95.6	80.4	82.0	73.1	86.0	17.7
WEST NORTH CENTRAL																
Consumer Confidence Index	59.9	56.5	61.9	62.4	65.4	77.6	78.3	70.1	75.8	92.2	89.6	73.7	66.9	57.1	76.7	34.4
Present Situation	43.3	40.9	51.1	38.9	40.0	54.0	72.8	55.5	59.1	91.5	94.8	77.2	69.3	44.2	80.4	81.9
Expectations	70.9	66.9	69.0	78.1	82.4	93.3	82.0	79.9	86.9	92.7	86.1	71.4	65.3	65.7	74.3	13.0
SOUTH ATLANTIC																
Consumer Confidence Index	125.0	125.2	124.9	130.6	133.1	135.5	125.5	134.7	136.7	141.2	147.6	131.2	128.9	125.1	135.9	8.7
Present Situation	146.3	139.6	140.8	154.9	157.4	154.3	147.4	156.9	162.1	168.8	176.1	168.6	160.3	145.0	168.3	16.1
Expectations	110.8	115.6	114.3	114.4	117.0	122.9	110.9	119.8	119.8	122.9	128.6	106.2	108.0	111.8	114.3	2.2
EAST SOUTH CENTRAL																
Consumer Confidence Index	74.9	75.0	85.7	95.3	87.8	86.9	88.0	87.6	93.7	94.8	98.2	90.1	97.2	79.4	95.2	19.9
Present Situation	69.0	62.0	63.8	72.8	61.8	71.8	78.0	74.5	71.6	78.0	89.3	87.3	89.6	67.1	88.7	32.3
Expectations	78.9	83.7	100.2	110.3	105.1	96.9	94.8	96.3	108.4	106.0	104.2	92.0	102.3	87.6	99.5	13.6
WEST SOUTH CENTRAL																
Consumer Confidence Index	56.2	57.1	63.0	59.3	63.1	65.7	70.5	71.2	77.3	82.6	78.3	70.1	66.3	53.8	71.6	33.0
Present Situation	22.6	12.0	10.8	16.7	9.8	13.4	23.6	19.6	26.2	28.3	26.1	28.5	24.9	17.7	26.5	49.7
Expectations	78.6	87.2	97.8	87.7	98.7	100.6	101.9	105.7	111.4	118.8	113.1	97.8	93.9	77.9	101.6	30.5
MOUNTAIN																
Consumer Confidence Index	71.5	71.4	70.6	76.2	78.3	86.1	83.8	74.8	84.2	102.8	101.4	76.4	83.3	77.5	87.0	12.3
Present Situation	50.3	62.4	39.4	49.4	44.8	55.6	58.4	49.6	60.0	82.6	93.4	67.5	72.7	58.2	77.8	33.7
Expectations	85.7	77.5	91.4	94.1	100.6	106.4	100.7	91.6	100.3	116.3	106.8	82.4	90.4	90.4	93.2	3.1
PACIFIC																
Consumer Confidence Index	96.9	103.2	110.6	107.1	105.2	106.5	112.3	114.7	124.0	125.1	125.3	125.5	120.2	102.3	123.7	20.9
Present Situation	103.6	103.3	108.5	101.0	105.5	112.9	133.2	132.2	147.1	149.0	151.4	152.1	146.8	110.1	150.1	36.4
Expectations	92.4	103.1	112.1	111.1	105.0	102.3	98.4	103.0	108.6	109.1	107.9	107.7	102.5	97.1	106.0	9.2

***Percent Change: average of last three months shown as compared with same period year ago. Regional data are not adjusted for seasonal variations.**

CONSUMER CONFIDENCE BY AGE AND INCOME CLASS

Seasonally adjusted index numbers: 1985 = 100	1986	1987												3 mos. Percent, Change*
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.(r)	Dec.(p)	
TOTAL U.S.														
Consumer Confidence Index	93.2	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	105.8	-3.2
Present Situation	94.7	85.0	91.9	94.2	92.7	99.1	107.9	106.2	115.6	120.5	124.4	115.6	117.7	4.5
Expectations	92.2	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	97.9	-8.6
AGE OF HOUSEHOLD HEAD														
Consumer Confidence Index														
Under 35	99.0	91.1	94.9	107.2	102.3	107.5	112.0	114.5	111.2	120.7	122.3	110.2	117.7	1.1
35-54	95.7	93.0	99.0	97.0	102.3	105.1	107.9	108.0	115.7	120.0	113.9	103.5	106.1	-5.8
55 and over	83.3	72.0	79.0	82.5	85.8	93.8	87.1	93.8	102.7	102.5	107.2	86.7	94.9	-3.4
Present Situation														
Under 35	96.7	92.2	93.2	108.8	94.4	99.1	115.8	111.4	116.9	126.3	130.6	123.0	126.5	7.2
35-54	98.0	96.3	105.2	98.5	100.5	100.6	115.0	108.7	121.6	128.2	123.6	114.4	115.7	-1.3
55 and over	90.2	70.2	78.6	81.1	84.7	97.7	97.0	101.1	108.7	106.7	120.0	111.0	114.4	9.1
Expectations														
Under 35	100.7	90.4	95.9	106.3	107.6	113.1	109.4	116.6	107.4	117.0	116.7	101.6	111.9	-3.2
35-54	94.0	90.9	95.4	96.1	103.6	108.1	103.2	107.6	111.8	114.4	107.4	96.2	99.8	-9.1
55 and over	78.5	73.2	79.3	83.4	86.6	91.1	80.4	89.0	98.7	99.7	98.5	70.4	81.8	-12.7
HOUSEHOLD INCOME														
Consumer Confidence Index														
Under $15,000	71.5	64.5	77.2	78.5	74.1	84.3	80.6	86.3	78.3	88.0	87.1	74.6	81.4	-3.7
$15,000-24,999	93.2	78.9	87.8	87.8	90.0	99.0	98.5	92.6	100.4	106.2	113.8	97.8	104.2	5.5
$25,000 and over	106.5	100.7	102.7	108.9	114.4	115.4	117.9	123.4	130.3	131.8	128.6	114.7	118.7	-6.1
Present Situation														
Under $15,000	63.0	51.1	67.3	58.9	57.3	66.5	76.2	79.3	74.9	77.4	82.5	74.9	78.3	1.8
$15,000-24,999	89.7	72.4	78.6	82.8	76.2	91.2	100.5	87.7	96.0	109.7	119.0	104.2	110.6	13.8
$25,000 and over	117.7	112.0	113.3	120.6	121.8	122.4	132.8	132.6	143.1	145.5	146.3	140.2	141.7	1.7
Expectations														
Under $15,000	77.4	73.0	83.0	90.5	85.1	90.4	83.6	91.2	80.7	95.5	90.5	74.4	83.9	-6.9
$15,000-24,999	95.6	83.1	93.2	91.0	92.1	104.2	97.2	96.0	103.6	103.9	110.4	93.5	100.2	0.2
$25,000 and over	98.7	93.7	96.3	101.8	109.6	110.7	107.7	117.1	121.8	122.4	116.5	97.6	103.2	-12.2

***Percent Change: average of last three months shown as compared with preceding three months. Age and income data have been adjusted for seasonal variations.**